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| Rating | Accumulate |
|----------------|------------|
| Price | Rs389 |
| Target Price | Rs482 |
| Implied Upside | 23.9% |
| Sensex | 19,722 |
| Nifty | 5,995 |

(Prices as on May 14, 2013)

Trading data

| | |
|----------------------------|--------|
| Market Cap. (Rs bn) | 102.3 |
| Shares o/s (m) | 263.0 |
| 3M Avg. Daily value (Rs m) | 1646.3 |

Major shareholders

| | |
|----------------|--------|
| Promoters | 48.53% |
| Foreign | 15.02% |
| Domestic Inst. | 20.21% |
| Public & Other | 16.24% |

Stock Performance

| (%) | 1M | 6M | 12M |
|----------|------|--------|--------|
| Absolute | 12.1 | (17.4) | (15.6) |
| Relative | 4.0 | (23.1) | (37.2) |

How we differ from Consensus

| EPS (Rs) | PL | Cons. | % Diff. |
|----------|------|-------|---------|
| 2014 | 65.1 | 67.3 | -3.3 |
| 2015 | 74.2 | 73.7 | 0.8 |

Price Performance (RIC: RLIN.BO, BB: RELI IN)



Source: Bloomberg

■ **Electricity revenues improve, Q4FY13 PAT up by 27% YoY:** Reliance Infrastructure (RIInfra), in Q4FY13, has reported revenue de-growth of 12.7% YoY on the back of 44% YoY de-growth in EPC revenues. However, there has been an impressive 28% YoY growth in electricity sales (on account of increased contribution from CSS and WC to the tune of Rs910m) and 75.6% growth in BOT sales. A better traction in Infrastructure EBIT margins led to 27.7% and 18.9% YoY improvement in PAT in Q4FY13 and FY13, respectively.

■ **Performance of SPVs:** Mumbai circle added 72,600 and Delhi added 146,650 customers in FY13. Delhi distribution clocked sales of Rs49bn, growth of 37% YoY and number of units stood at 14.3bn units, up 5% YoY. Road portfolio earned revenues of Rs5.2bn. Number of units traded in the trading arm stands at 5.3bn units.

■ **Updates:** EPC order book stands at Rs110bn, declining from Rs121bn in Q3FY13. Western region transmission lines are yet to become operational on account of 'Right Of Way' issues; however, the project will achieve COD in Q3FY14E. Regulatory assets in Mumbai and Delhi circle stand at Rs48bn and Rs55bn, respectively, which the company plans to recover from FY14E onwards. The capital expenditure envisaged for the next three years stands at Rs80bn with an outstanding equity commitment of Rs15bn. The company is further planning to bid for new distribution circles in power and distressed (along with fresh) BOT projects in the roads segment.

■ **Valuation:** At CMP, stock trades attractively at 0.3x P/BV FY15E. While mild overhangs in Regulatory and Infrastructure business continue to remain, contribution from new assets will help revive the sentiment towards the stock. We have downgraded the estimates factoring lower revenue growth from EPC and Infrastructure businesses. We maintain 'Accumulate' on the stock.

| Key financials (Y/e March) | 2012 | 2013 | 2014E | 2015E |
|----------------------------|---------|---------|---------|---------|
| Revenues (Rs m) | 236,407 | 222,276 | 226,567 | 255,626 |
| Growth (%) | 53.4 | (6.0) | 1.9 | 12.8 |
| EBITDA (Rs m) | 21,515 | 28,117 | 31,366 | 38,713 |
| PAT (Rs m) | 14,460 | 17,199 | 17,115 | 19,523 |
| EPS (Rs) | 55.0 | 65.4 | 65.1 | 74.2 |
| Growth (%) | (13.4) | 18.9 | (0.5) | 14.1 |
| Net DPS (Rs) | 6.8 | 6.8 | 6.8 | 6.5 |

| Profitability & Valuation | 2012 | 2013 | 2014E | 2015E |
|---------------------------|------|------|-------|-------|
| EBITDA margin (%) | 9.1 | 12.6 | 13.8 | 15.1 |
| RoE (%) | 6.1 | 6.8 | 6.3 | 6.8 |
| RoCE (%) | 4.8 | 5.2 | 4.9 | 4.9 |
| EV / sales (x) | 1.4 | 1.5 | 1.6 | 1.5 |
| EV / EBITDA (x) | 15.1 | 12.0 | 11.8 | 9.8 |
| PE (x) | 7.1 | 5.9 | 6.0 | 5.2 |
| P / BV (x) | 0.4 | 0.4 | 0.4 | 0.3 |
| Net dividend yield (%) | 1.8 | 1.8 | 1.8 | 1.7 |

Source: Company Data; PL Research

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Exhibit 1: Q4FY13 Result Overview (Rs m)

| Y/e March | Q4FY13 | Q4FY12 | YoY gr. (%) | Q3FY13 | FY13 | FY12 | YoY gr. (%) |
|----------------------|---------------|---------------|---------------|---------------|----------------|----------------|--------------|
| Total Income | 61,132 | 70,004 | (12.7) | 52,769 | 222,276 | 236,407 | (6.0) |
| Expenditure | | | | | | | |
| Total Expenditure | 53,389 | 66,416 | (19.6) | 45,206 | 194,159 | 214,892 | (9.6) |
| EBITDA | 7,743 | 3,588 | 115.8 | 7,563 | 28,117 | 21,515 | 30.7 |
| <i>Margin (%)</i> | <i>12.7</i> | <i>5.1</i> | <i>754.1</i> | <i>14.3</i> | <i>12.6</i> | <i>9.1</i> | <i>354.9</i> |
| Depreciation | 1,639 | 984 | 66.6 | 1,359 | 5,511 | 4,033 | 36.6 |
| EBIT | 6,104 | 2,604 | 134.4 | 6,204 | 22,606 | 17,481 | 29.3 |
| Interest | 4,099 | 4,193 | (2.3) | 4,163 | 16,874 | 13,359 | 26.3 |
| Other Income | 2,399 | 3,599 | (33.3) | 2,679 | 12,054 | 13,922 | (13.4) |
| PBT | 4,442 | 2,010 | 121.0 | 8,511 | 21,613 | 18,044 | 19.8 |
| Tax | (2,110) | (1,177) | 79.3 | 2,048 | 2,026 | 5,442 | (62.8) |
| <i>Tax Rate (%)</i> | <i>NA</i> | <i>NA</i> | | <i>24.1</i> | <i>9.4</i> | <i>30.2</i> | |
| Recurring PAT | 6,552 | 3,187 | 105.6 | 6,463 | 19,587 | 12,603 | 55.4 |
| Minority Interests | 699 | 928 | | 816 | 2,881 | 3,066 | |
| PAT | 7,251 | 4,115 | 76.2 | 7,279 | 22,468 | 15,668 | 43.4 |
| Adjusted PAT | 4,971 | 3,901 | 27.4 | 4,290 | 17,199 | 14,460 | 18.9 |

Source: Company Data, PL Research

Exhibit 2: Segmental Break-up (Rs m)

| Y/e March | Q4FY13 | Q4FY12 | YoY gr. (%) | Q3FY13 | FY13 | FY12 | YoY gr. (%) |
|-------------------------|---------------|---------------|---------------|---------------|----------------|----------------|--------------|
| Revenue | | | | | | | |
| Electrical Energy | 37,284 | 29,020 | 28.5 | 33,016 | 141,502 | 128,581 | 10.0 |
| <i>% in Total</i> | <i>60.3</i> | <i>40.7</i> | | <i>62.3</i> | <i>63.2</i> | <i>53.0</i> | |
| EPC | 22,964 | 41,408 | (44.5) | 18,410 | 77,064 | 110,477 | (30.2) |
| <i>% in Total</i> | <i>37.1</i> | <i>58.0</i> | | <i>34.8</i> | <i>34.4</i> | <i>45.5</i> | |
| Infrastructure Business | 1,625 | 925 | 75.6 | 1,533 | 5,250 | 3,660 | 43.5 |
| <i>% in Total</i> | <i>2.6</i> | <i>1.3</i> | | <i>2.9</i> | <i>2.3</i> | <i>1.5</i> | |
| Net sales | 61,874 | 71,353 | (13.3) | 52,958 | 223,816 | 242,718 | (7.8) |
| EBIT | | | | | | | |
| Electrical Energy | 3,913 | 2,535 | 54.4 | 4,351 | 15,281 | 16,509 | (7.4) |
| <i>Margin (%)</i> | <i>10.5</i> | <i>8.7</i> | | <i>13.2</i> | <i>10.8</i> | <i>12.8</i> | |
| EPC | 3,122 | 2,311 | 35.1 | 1,791 | 8,362 | 9,188 | (9.0) |
| <i>Margin (%)</i> | <i>13.6</i> | <i>5.6</i> | | <i>9.7</i> | <i>10.9</i> | <i>8.3</i> | |
| Infrastructure Business | 723 | (273) | (365.0) | 787 | 2,434 | (159) | (1,635.9) |
| <i>Margin (%)</i> | <i>9.3</i> | <i>(6.0)</i> | | <i>11.4</i> | <i>9.3</i> | | |
| Total | 7,758 | 4,572 | 69.7 | 6,929 | 26,078 | 25,538 | 2.1 |
| <i>Margin (%)</i> | <i>12.5</i> | <i>6.4</i> | | <i>13.1</i> | <i>11.7</i> | | |
| PBT | 4,442 | 2,010 | 120.9 | 8,511 | 21,316 | 18,064 | 18.0 |
| <i>Margin (%)</i> | <i>7.2</i> | <i>2.8</i> | | <i>16.1</i> | <i>9.5</i> | <i>7.4</i> | |

Source: Company Data, PL Research

Exhibit 3: SOTP

| Entity | Methodology of Valuation | Equity Value (Rs m) | Value (Rs/Share) |
|------------------------------|--|----------------------------|-------------------------|
| Energy Business | DCF and LTSSG(P/BV 1.3-2.2x) | 57,692 | 224 |
| Reliance Power Transmission | DCF and LTSSG(P/BVx1.5-2.2x) | 2,877 | 11 |
| Reliance InfraVentures | | 6,381 | 24 |
| <i>Roads</i> | <i>DCF COE 13-16%</i> | <i>2,900</i> | <i>11</i> |
| <i>Metro</i> | <i>DCF COE 16-18%</i> | <i>3,481</i> | <i>13</i> |
| Reliance InfraProjects (EPC) | EV/EBITDA of 3.3x (75% discount to L&T) | 18,643 | 64 |
| RPower | 60% Holdco discount to PL RPower valuation | 41,059 | 78 |
| Cement | \$80/ton for 5m (FY15E) ton, less debt of Rs20bn | 1,400 | 5 |
| Cash | 75% Discount to cash/Investments on Hand | 20,000 | 76 |
| Total INR (m) | | 148,053 | 482 |

Source: PL Research

Income Statement (Rs m)

| Y/e March | 2012 | 2013 | 2014E | 2015E |
|----------------------------|----------------|----------------|----------------|----------------|
| Net Revenue | 236,407 | 222,276 | 226,567 | 255,626 |
| Raw Material Expenses | 191,251 | 169,540 | 175,085 | 194,501 |
| Gross Profit | 45,156 | 52,736 | 51,481 | 61,125 |
| Employee Cost | 10,285 | — | — | — |
| Other Expenses | 13,356 | 24,619 | 20,115 | 22,412 |
| EBITDA | 21,515 | 28,117 | 31,366 | 38,713 |
| Depr. & Amortization | 4,033 | 5,511 | 6,412 | 8,125 |
| Net Interest | 13,359 | 16,874 | 18,274 | 19,182 |
| Other Income | 13,922 | 15,882 | 11,412 | 10,222 |
| Profit before Tax | 18,044 | 21,613 | 18,092 | 21,628 |
| Total Tax | 5,442 | 2,026 | 4,075 | 5,286 |
| Profit after Tax | 12,602 | 19,587 | 14,017 | 16,342 |
| Ex-Od items / Min. Int. | (4,274) | (8,150) | (3,098) | (3,181) |
| Adj. PAT | 14,460 | 17,199 | 17,115 | 19,523 |
| Avg. Shares O/S (m) | 263.0 | 263.0 | 263.0 | 263.0 |
| EPS (Rs.) | 55.0 | 65.4 | 65.1 | 74.2 |

Cash Flow Abstract (Rs m)

| Y/e March | 2012 | 2013 | 2014E | 2015E |
|---------------------|-----------|----------|----------|----------|
| C/F from Operations | (103,636) | 27,411 | 19,954 | 16,405 |
| C/F from Investing | (45,798) | (32,354) | (61,416) | (45,000) |
| C/F from Financing | 156,846 | (3,902) | 56,887 | 43,657 |
| Inc. / Dec. in Cash | 7,413 | (8,846) | 15,425 | 15,062 |
| Opening Cash | 6,358 | 13,770 | 4,924 | 20,350 |
| Closing Cash | 13,770 | 4,924 | 20,350 | 35,412 |
| FCFF | (173,391) | (4,709) | (49,765) | (35,985) |
| FCFE | (59,288) | (1,019) | (2,568) | (10,042) |

Key Financial Metrics

| Y/e March | 2012 | 2013 | 2014E | 2015E |
|-------------------------|---------|-------|--------|--------|
| Growth | | | | |
| Revenue (%) | 53.4 | (6.0) | 1.9 | 12.8 |
| EBITDA (%) | 21.0 | 30.7 | 11.6 | 23.4 |
| PAT (%) | (14.8) | 18.9 | (0.5) | 14.1 |
| EPS (%) | (13.4) | 18.9 | (0.5) | 14.1 |
| Profitability | | | | |
| EBITDA Margin (%) | 9.1 | 12.6 | 13.8 | 15.1 |
| PAT Margin (%) | 6.1 | 7.7 | 7.6 | 7.6 |
| RoCE (%) | 4.8 | 5.2 | 4.9 | 4.9 |
| RoE (%) | 6.1 | 6.8 | 6.3 | 6.8 |
| Balance Sheet | | | | |
| Net Debt : Equity | 0.9 | 0.9 | 1.0 | 0.9 |
| Net Wrkng Cap. (days) | — | — | — | — |
| Valuation | | | | |
| PER (x) | 7.1 | 5.9 | 6.0 | 5.2 |
| P / B (x) | 0.4 | 0.4 | 0.4 | 0.3 |
| EV / EBITDA (x) | 15.1 | 12.0 | 11.8 | 9.8 |
| EV / Sales (x) | 1.4 | 1.5 | 1.6 | 1.5 |
| Earnings Quality | | | | |
| Eff. Tax Rate | 30.2 | 9.4 | 22.5 | 24.4 |
| Other Inc / PBT | 77.2 | 73.5 | 63.1 | 47.3 |
| Eff. Depr. Rate (%) | 2.0 | 2.4 | 2.2 | 2.4 |
| FCFE / PAT | (410.0) | (5.9) | (15.0) | (51.4) |

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

| Y/e March | 2012 | 2013 | 2014E | 2015E |
|-------------------------------|----------------|----------------|----------------|----------------|
| Shareholder's Funds | 241,346 | 261,210 | 277,898 | 299,536 |
| Total Debt | 237,153 | 240,843 | 288,040 | 313,983 |
| Other Liabilities | 6,568 | 7,965 | 7,257 | 5,674 |
| Total Liabilities | 485,067 | 510,018 | 573,195 | 619,193 |
| Net Fixed Assets | 187,200 | 212,582 | 255,343 | 267,646 |
| Goodwill | — | — | — | — |
| Investments | 123,007 | 129,682 | 126,432 | 126,432 |
| Net Current Assets | 174,860 | 167,754 | 191,806 | 225,501 |
| <i>Cash & Equivalents</i> | <i>13,770</i> | <i>4,924</i> | <i>20,350</i> | <i>35,412</i> |
| <i>Other Current Assets</i> | <i>290,120</i> | <i>317,782</i> | <i>345,005</i> | <i>412,954</i> |
| <i>Current Liabilities</i> | <i>129,030</i> | <i>154,952</i> | <i>173,549</i> | <i>222,865</i> |
| Other Assets | — | — | — | — |
| Total Assets | 485,067 | 510,018 | 573,195 | 619,193 |

Quarterly Financials (Rs m)

| Y/e March | Q1FY13 | Q2FY13 | Q3FY13 | Q4FY13 |
|--------------------------|---------------|---------------|---------------|---------------|
| Net Revenue | 53,411 | 54,964 | 52,769 | 61,132 |
| EBITDA | 6,298 | 6,513 | 7,563 | 7,743 |
| <i>% of revenue</i> | <i>11.8</i> | <i>11.8</i> | <i>14.3</i> | <i>12.7</i> |
| Depr. & Amortization | 1,255 | 1,258 | 1,359 | 1,639 |
| Net Interest | 3,614 | 4,043 | 4,163 | 4,099 |
| Other Income | 3,008 | 3,013 | 2,679 | 2,399 |
| Profit before Tax | 4,438 | 4,224 | 8,510 | 4,405 |
| Total Tax | 1,003 | 1,087 | 2,048 | (2,110) |
| Profit after Tax | 4,120 | 3,818 | 7,279 | 7,214 |
| Adj. PAT | 4,120 | 3,818 | 4,290 | 4,971 |

Key Operating Metrics

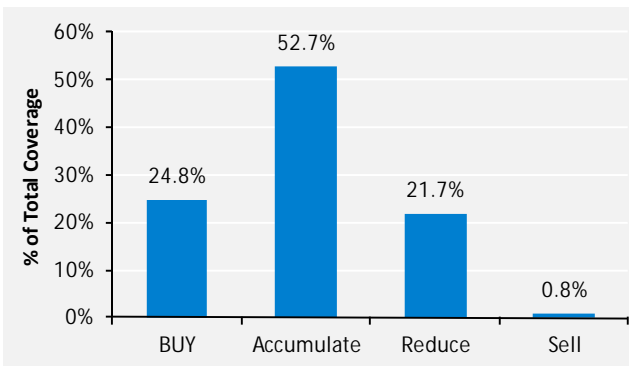
| Y/e March | 2012 | 2013 | 2014E | 2015E |
|--------------------|-------|-------|-------|-------|
| Electricity (Rs m) | 128.6 | 141.5 | 143.6 | 151.7 |
| EPC (Rs m) | 110.5 | 77.1 | 65.5 | 71.0 |
| Order Book (Rs bn) | 173.0 | 110.1 | 140.2 | 200.0 |

Source: Company Data, PL Research.



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| | | | |
|-----------------------|--|--------------------------|--|
| BUY | : Over 15% Outperformance to Sensex over 12-months | Accumulate | : Outperformance to Sensex over 12-months |
| Reduce | : Underperformance to Sensex over 12-months | Sell | : Over 15% underperformance to Sensex over 12-months |
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